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Peru

Market Development Reports

Pulses

2002

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Report Highlights:

Peru is a significant market for U.S. peas and lentils. Total imports were \$18 million in 2001, about half of which came from the U.S. The potential of this market may be hampered due to a law, passed by the GOP, which effectively places imported pulses at an 18 percent disadvantage compared to local production.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Lima [PE1], PE

Executive Summary

Peru is an interesting market for imported peas and lentils. Split pea imports were about 15,400 MT in 2001 and lentil imports in 2001 reached a record of almost 28,000 MT, increasing 15 percent compared to the previous year. Total imports of peas and lentils to Peru represent a market of around 20 million dollars per annum.

In December 2001, the GOP passed a law that effectively places imported pulses at an 18 percent disadvantage compared to local production.

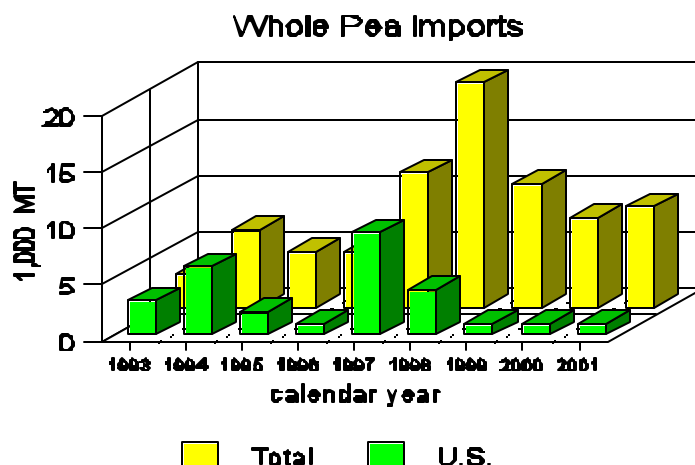
Peas

With a harvested area of about 30,000 hectares, peas production in Peru is around 28,000 MT per year. Peas, which are produced in the highlands, are a minor crop in Peru. Since locally produced peas vary greatly in quality and are more expensive than imported, consumers prefer to buy imported peas. More over customers claim that imported peas have better yields when cooked.

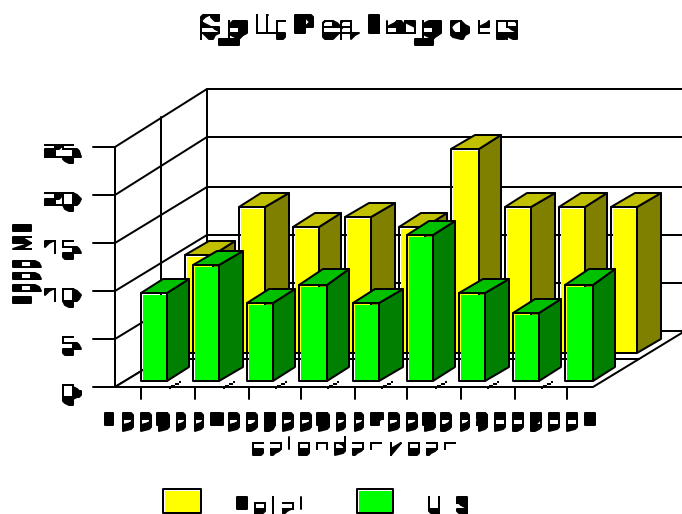
Since the Peruvian market started growing sharply, whole pea exports from the U.S. began facing competition, specially from Canada. Whole pea imports from the U.S. fell from almost 100 percent market share in 1993 to about 30 percent in 2001. Whole pea market is expected to maintain this growing trend but at a slower pace, about 4 percent per annum.

Whole pea imports in 2001 were 9,100 MT of which less than a thousand tons were from the U.S.

Split pea imports were about 15,400 MT of which 5,190 MT were from the U.S.



Pea imports into Peru are assessed 25 percent import duty, Peru does not have a quota system nor an import permit for importing peas into the country. Importers, just like with other agricultural products, have to request a phytosanitary requirement list to the local SPS agency (SENASA) before the import takes place. The distribution channel starts in a large importer, who may or may not represent a specific brand, this importer will most likely focus his marketing strategy on the lower income sector of the population. A wholesaler would buy from the importer's warehouse and distribute the product throughout the country.

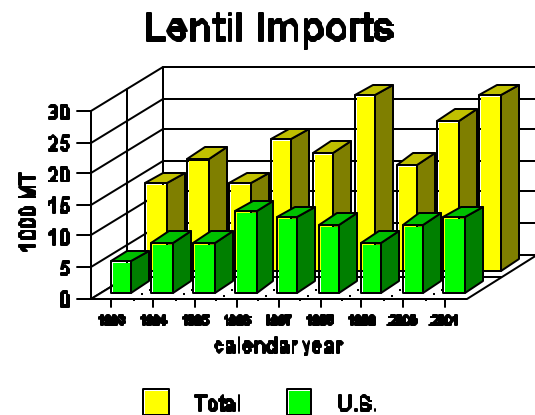


Though there are no official figures, no more than 30 percent of this product is sold through the supermarket chains, most of it is sold through the traditional markets.

Lentils

Peru only produces around 5000 MT of lentils per year. Yields are 946 kilograms per hectare.

Unlike other markets in Latin America, Peru's lentils consumption is higher than beans or peas. Lentil imports in 2001 reached a record almost 28,000 MT, increasing 15 percent compared to the previous year. The U.S. and Canada are the only lentils suppliers to the Peruvian market. With 12,426 MT, the U.S. had a market share of 44 percent in 2002. Though the U.S. has been the main lentil supplier to Peru in the past, it lost its leading position to Canada in 1998.



Lentils imports into Peru are assessed 25 percent import duty. The distribution channel is very similar to the one for peas with the difference that lentils are bought by a broader range of consumers. Usually the importer or wholesaler of peas will also sell lentils.

Policy

SPS

In November 2001, the Peruvian SPS agency (SENASA) proposed new phytosanitary requirements for more than 200 agricultural goods into Peru, including lentils.. As proposed lentils would be subject to two new requirements:

- they must have a phytosanitary certificate which states that product is free of *Ahasverus advena*, *Corcyra cephalonica* and *Bruchus pisorum*
- they must be fumigated with Methyl Bromide or Phosphamine before being shipped

These new requirements are currently under discussion between APHIS and SENASA. Already, SENASA has dropped *Bruchus pisorum* from the certificate requirement but the other two remain, as well as the fumigation requirement.

APHIS has argued that the U.S. only exports US #1 grade peas and lentils to Peru. According to FGIS standards no insects are allowed at all if they are to be classified US #1 grade. Moreover, according to the U.S. industry, these pests do not affect split peas and lentils. No final decision by SENASA has been made as of this date and the new requirements have not yet gone into effect.

Tax

On December 29, 2001, the Peruvian Congress passed Law N° 27614 whereby selected local agricultural products are exempt from the IGV (value-added tax) of 18 percent in the local market. The same products, imported, are

assessed the tax. This measure affects 272 HTS lines worth approximately \$70 million. The products affected include peas and lentils , apples, fresh fish, grapes and pears. Among the most affected countries are: Chile (63 percent of Peru's imports of the affected products), Canada (16 percent), the U.S. (13 percent) and Ecuador (3 percent). The U.S. provides approximately half of Peru's peas and lentil imports, which totaled \$18 million in 2001.

This new law may be a violation of Article III of the WTO which specifies national treatment of imported goods on further taxes once import tariffs are paid. The value-added tax is not a tariff. After strong complaints from importers and trade partners, the executive branch has proposed an initiative to eliminate this discriminating measure. This proposal, currently in Congress, is pending debate which is unlikely to happen until late August.

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